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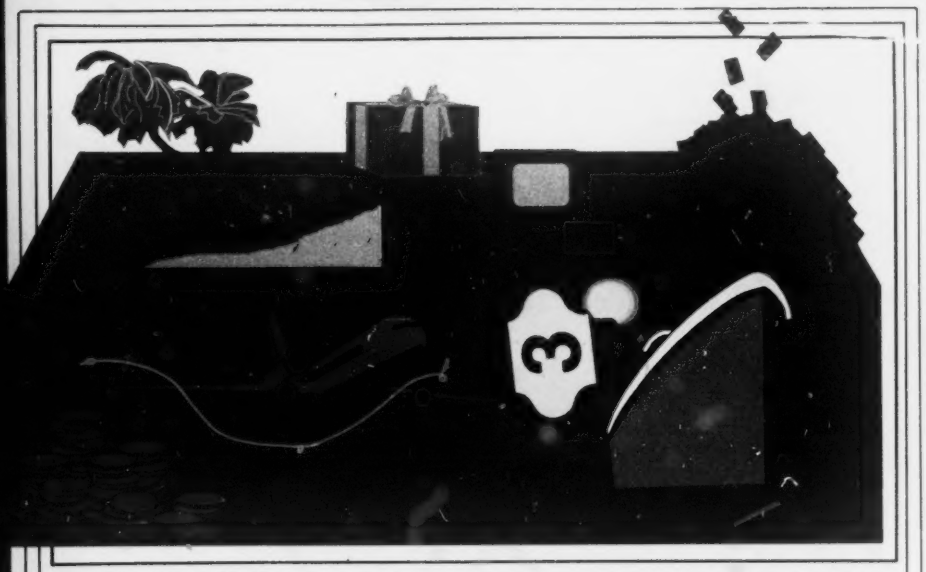

INCENTIVES TO SUCCESS: Dealers outline some innovative employee-incentive plans designed to encourage sales and service staff to do their best for themselves and their companies. See page 23.

RV Industry Faces Legislation Landslide; Dealer Buy-back Laws Get Top Priority

The RV industry has been beseiged by an "overwhelming and unprecedented" volume of legislative issues this summer, including a spate of controversial "dealer-closing laws" that have been introduced in a number of states, according to RVIA officials. *(See accompanying story, "Many State Issues Face RV Industry," on page 12.)*

RVIA considers some of the new dealer-closing laws, which deal with the termination of business between manufacturers and dealers, as too "lopsided" in favor of dealers' interests to be workable for either party over the long haul.

RVDA Executive Vice President Bob Strawn added, "I think that this is another case where the manufacturers and dealers have a lot at stake and a lot in common. We need to get across the table from each other and come to terms in private rather than in the hearing rooms of some state capitol."

The debate continues on a state-by-state basis, with the focus on Texas, which has a newly amended law already in place, and on Wisconsin, where a controversial bill is currently working its way through the state legislature.

In Texas, a motor-vehicle manufacturer terminating a dealership is now required to pay "dealer cost" for all unsold vehicles of current or prior-model-year vintage. The OEM also must buy back current parts and pay "fair market value" for signs, special tools and equipment. The RV maker further has to pay to have everything shipped back to his facilities. Manufacturers failing to do so are liable for all those costs – plus interest – subject to a hearing by a Texas Motor Vehicle Commission (TMVC) examiner, according to Henri Tenbrink, assistant director of enforcement for TMVC.

Even more "notorious," in RVIA's opinion, is the proposed Wisconsin law, which is a modification of existing statutes. Introduced by a Milwaukee Democrat, and backed by motorcycle and automotive dealers, the bill originally required that manufacturers buy back a dealer's inventory upon termination – for any reason – at 110% of what the dealer paid for inventory.

While an amended version of that bill no longer includes the 110% buy-back clause, the Wisconsin bill is still a strong one: The current draft, due for reintroduction this fall, calls for a manufacturer to buy back current inventory at dealer cost and to refund any destination or delivery/distribution charges, including taxes. In addition to provisions for tools, parts and signage, it proposes that manu-

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HAS THE SHIPMENTS' STORM PASSED?

MORTON J. MARCUS

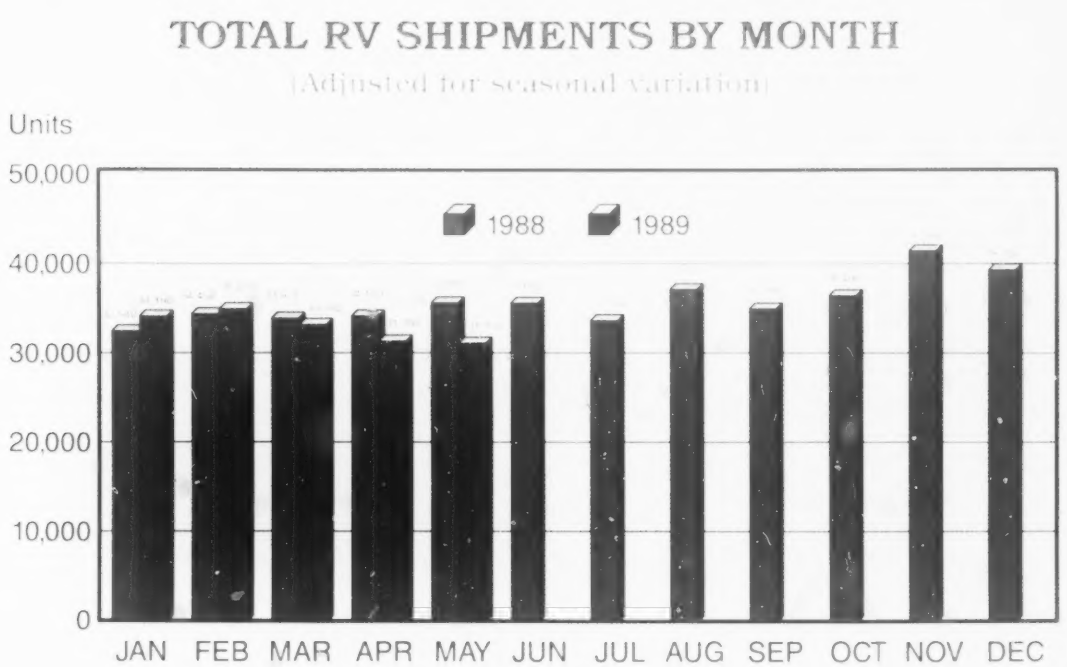

Figure 1

The trouble many people have with the news is that it comes too late; they never know what is really going on.

As they read about last week in their favorite news magazines, they feel as if they are holding the first draft of history. When they scan headlines in the morning newspapers, they realize they are gathering nuts that fell from the tree yesterday. The network evening news is composed of events that are going stale as the film rolls past. Even the 24-hour cable news serves morsels of antiquity.

As a society, we are becoming obsessed with *now*. *Real* time is a favorite catch phrase. Today, stock market quotations and racetrack results are offered for the touts (brokers) and marks (investors) in real time. But, from what I have seen, few are able to use the data so breathlessly delivered in a wise or effective manner. If data is to be useful, it must be understood within a historical context—only then does it become *information*.

In these monthly articles concerning RV shipments, we try to provide information. This is done by adjusting data for normal seasonal variations. In addition, we attempt to place the most recent events in a historical perspective.

In the Near Term

Total shipments in May, adjusted for seasonality, fell for the third consecutive month from the preceding month. In addition, this was also the third month in a row that trailed the same month a year ago. (See *Figure 1*.) With 165,000 units shipped between January and May, total shipments were running nearly 5,800 units (3.4%) behind the first five months of 1988.

Was the shipment situation getting better, or was it getting worse in May? The numbers represented in Figure 1 do not provide a clear answer. Let's take that 5,800-unit difference; that is how many units the industry was running behind '88 for the year-to-date. Since May 1989 shipments totaled 31,150 and May of a year earlier recorded 35,680 units, for a difference of 4,530 units, more than three-quarters of the year-to-date shortfall occurred in May alone.

In fact, the year-to-year comparisons for each month have been building an ominous, negative momentum. Consider this sad trend in comparing each month's ship-

GRAPHICS: CUSTOM COLOR VISUALS

MARKET SHARE BY TYPE OF UNIT
(Year-to-date, adjusted for seasonal variation)

	1989	1988
TOTAL RVs	100.00	100.00
Travel Trailers:		
Conventional	13.81	14.17
Park Models	2.00	1.93
Fifth-wheels	7.62	7.68
Folding Camping Trailers	8.44	10.22
Truck Campers	2.53	2.55
TOTAL TOWABLES	34.40	36.55
Motorhomes:		
Class A	9.64	9.85
Class B Van Campers	1.26	1.21
Class C:		
Minis	5.08	5.06
Low Profiles	0.46	0.49
Micro-minis	0.67	0.58
TOTAL MOTORHOMES	17.11	17.19
Multiuse Van Conversions	48.48	46.26

Percentages may not add to total because of rounding.

Figure 2

INDEX OF CUMULATIVE RV SHIPMENTS
January-May 1986 = 100

	1986	1987	1988	1989
TOTAL RVS	100.00	103.23	108.18	104.52
Travel Trailers				
Conventional	100.00	109.71	106.72	100.45
Park Models	100.00	84.67	103.61	103.97
Fifth-wheels	100.00	109.99	137.15	131.55
Folding Camping Trailers	100.00	109.07	116.45	92.90
Truck Camper	100.00	146.11	153.94	147.64
TOTAL TOWABLE	100.00	110.02	117.25	106.63
Motorhomes				
Class A	100.00	119.14	128.07	121.16
Class B Van Campers	100.00	107.86	84.34	84.71
Class C				
C Minis	100.00	110.53	115.61	112.15
C Low Profiles	100.00	84.50	61.33	55.72
C Micro-minis	100.00	101.53	52.55	58.30
TOTAL MOTORHOMES	100.00	112.58	111.56	107.30
Multiuse Van Conversions	100.00	95.47	100.88	102.16

Figure 3

ment total in 1989 with the same month of last year:

January	+ 1,650
February	+ 570
March	690
April	2,790
May	4,530

From these data, a grim forecast could be generated. Why, by November, if the April-to-May trend continues, the industry will be running more than 51,000 units behind the same month of 1988. This means that nearly 10,000 units would have to be shipped back to manufacturers in that month alone—which would be the only way we could get negative shipments.

But such trends are statistical fun, not serious guidelines. Comparisons with the same month a year earlier may be instructive but are easily overdone. A more productive comparison would seem to be the month-to-month changes, contrasting the April to May changes with previous month-to-month changes:

December 1988	2,160
January 1989	5,160
February '89	+ 830
March '89	1,740
April '89	1,890
May '89	240

The above comparisons cause May to be seen in a very different light. The April-to-May decline of 240 units was the smallest decline in a pattern started last December. The contribution of May to the year's deficit was thus just 240 out of the 5,780 units under discussion. (See *Figure 4.*) Hence, May accounted for only 4% of the decline experienced to date this year.

From this angle, one could suggest that the strongest declines may be behind us and that the worst of the storm is over.

Where Do the Problems Lie?

Last month in this space, we noted that the difficulties of the industry were fairly well concentrated in a single type of unit: the folding camping trailer.

Down by more than 3,500 units in the month of May, these units were off by over 20% from a year ago at this time. And if we consider the up and the down volumes in Figure 4, it becomes evident that folding camping trailers were the major issue in May. Except for the slight gain made by park models, all towables were down, but 62% of that decline was due to the drop in folding camping trailers.

In the motorhome group, Class A units accounted for 81% of that group's decline for the year-to-date. But the decline in motorhomes was virtually offset by the growth of van conversions. For May, that offset was exactly 500 units.

The same story is seen in the market-

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RV SHIPMENTS BY TYPE OF UNIT
(Adjusted for seasonal variation)

TYPE OF UNITS	MAY 1989	PERCENT CHANGE FROM APR 1989	YEAR-TO-DATE 1989	YEAR-TO-DATE 1988	PERCENT CHANGE
Total RVs	31,150	-0.8	165,040	170,820	-3.4
Travel Trailers:					
Conventional	4,390	-4.7	22,780	24,210	-5.9
Park Models	620	-3.0	3,300	3,290	0.4
Fifth-wheels	2,350	2.5	12,580	13,120	-4.1
Folding Camping Trailers	2,220	-10.7	13,930	17,470	-20.2
Truck Campers	910	28.3	4,180	4,360	-4.1
Motorhomes:					
Class A	2,970	-4.9	15,920	16,820	-5.4
Class B Van Campers	490	53.8	2,070	2,060	0.4
Class C:					
-Minis	1,410	-14.9	8,390	8,650	-3.0
-Low Profiles	130	-39.0	760	830	-9.1
-Micro-minis	230	7.0	1,110	1,000	10.9
Multiuse Van Conversions	15,440	2.0	80,010	79,010	1.3

Note: Data rounded to nearest 10 units.

Figure 4

APRIL CONTINUES SALES DECLINE

THOMAS WALWORTH

East North Central: Illinois, Indiana, Michigan, Ohio, Wisconsin; **Mountain**: Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, Wyoming; **Northeast**: Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont; **Pacific**: Alaska, California, Oregon, Washington, Hawaii; **South Atlantic**: Delaware, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, West Virginia; **West North Central**: Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota; **South Central**: Texas, Oklahoma, Arkansas, Louisiana, Tennessee, Mississippi, Alabama

The RV-trailer and motorhome markets continued their downward movement in April. RV-trailer sales were off 17.8%, or down by 2,504 units, from April of last year, while motorhome registrations were down by 13.1%, or 783 units, compared with the same month last year.

Motorhomes had been experiencing this type of decline for the previous few months, and the RV-trailer market had its largest decline of the year in April. As a result, for the year-to-date, RV-trailer sales were down 8.1% compared with the first four months of 1988, and motorhome sales were 9.5% behind last year's pace.

As shown in Figure 1, the RV-trailer market had some rather dramatic movement in the different regions in April, when compared with April of last year. In terms of percentage change in sales from April 1988, the Northeast market was the hardest hit. In the leading South Atlantic region, Delaware had the best gain. In the trailing Northeast, Massachusetts had the largest decline compared with April of last year.

For the year-to-date, the RV-trailer market's regional pattern was similar. The Northeast market dropped into last place, while the South Atlantic and Mountain regions reported some improvement in their relative rankings. The South Central area led the other seven regions with the smallest percentage decline compared with the first four months of 1988, as seen in Figure 2. Louisiana had the best sales experience of that region's states. In the bottom-ranked Northeast, Massachusetts had the largest percentage decline from 1988.

The regional motorhome markets in April had the only positive sales change, as the South Central market jumped from a last-place ranking in March to No. 1 in April. Figure 3 details the April ranking of regions by the percent change in sales from April 1988. In the South Central region, Mississippi recorded the largest percentage gain. In the lagging Pacific region, Alaska had the largest decline.

For the year-to-date, the regional motorhome markets showed more stability than the RV-trailer markets in terms of rankings based on change in sales from last

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RV-TRAILER MARKET

Apr. '89 Rank	Region	% of Change From Apr. '88	Mar. '89 Rank
1	S. Atlantic	–9.27	3
2	Mountain	–9.68	6
3	W.N. Central	–11.60	7
4	S. Central	–18.80	1
5	Pacific	–19.10	2
6	E.N. Central	–19.60	4
7	Northeast	–24.80	5

Figure 1

RV-TRAILER MARKET

Apr. '89 Rank	Region	% of Change Year-to-Date	Mar. '89 Rank
1	S. Central	–1.10	1
2	S. Atlantic	–6.19	5
3	Mountain	–6.86	6
4	E.N. Central	–9.40	3
5	Pacific	–9.61	4
6	W.N. Central	–9.65	7
7	Northeast	–11.66	2

Figure 2

MOTORHOME MARKET

Apr. '89 Rank	Region	% of Change From Apr. '88	Mar. '89 Rank
1	S. Central	1.79	7
2	Mountain	–3.00	5
3	S. Atlantic	–9.68	6
4	Northeast	–10.80	3
5	W.N. Central	–15.70	1
6	E.N. Central	–15.80	2
7	Pacific	–20.20	4

Figure 3

MOTORHOME MARKET

Apr. '89 Rank	Region	% of Change Year-to-Date	Mar. '89 Rank
1	W.N. Central	–2.10	1
2	Mountain	–3.25	4
3	E.N. Central	–4.96	2
4	Northeast	–4.70	3
5	S. Central	–6.40	5
6	S. Atlantic	–11.10	6
7	Pacific	–15.80	7

Figure 4

GRAPHICS: CUSTOM COLOR VISUALS

AT RETAIL *from page 19*

year. As seen in Figure 4, the major shift was that the Mountain region moved from fourth place in March to second place in April. The West North Central region continued to lead, with Kansas having the largest percentage gain in sales. The Pacific region again trailed the pack, with California recording the largest decline.

April's down market for both trailers and motorhomes was not good news for the industry, and it was obvious that the soft retail market caused decreased shipments' volume as dealers worked down their inventories. The soft retail sales could be traced to a number of negative factors affecting consumers, including the jump in interest rates on consumer loans, uncertainty about gas prices, sticker shock and poor weather that kept buyers out of the marketplace. However, if consumers see some stability in these variables, the motorhome and RV-trailer industries may still experience a reversal of the downward trend of the first four months. Δ

Thomas Walworth is general manager of Statistical Surveys Inc., Grand Rapids, Mich., which has reported retail statistics for 30 years to the RV industry. Statistical Surveys is an acknowledged leader in the RV statistical field.

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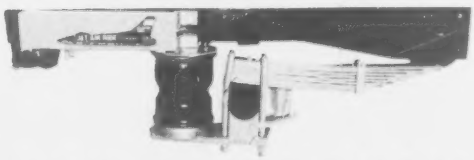

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INCENTIVES *continued*

draw two months in a row, they normally are not working for us."

At Saddleback RV, employees who come in late to a sales meeting are penalized in the sales contest. "It costs them the equivalent of a sale," Sebastian says.

Florida's Swanston takes a little gentler approach by first privately discussing performance problems with sales staff. "They are told what they have done wrong. Then they are written up and asked to sign it," says Swanston. "If they have an objection, they can write it when they sign."

Swanston adds that the service department has its own way of punishing offenders. "Say somebody is continually leaving tools out," she says. "They will set a fine for something left out. The fine goes into a kitty to be used for something for that department." Similarly, Ohio's Greer punishes careless service personnel by charging them for unreturned tools.

At Minnesota RV, reprimand is even tougher: If there is a comeback on service work, the service employee is docked for it.

An Eye on the Bottom Line

Though dealers agree on the effectiveness of incentives, they offer some cautions, too.

"Incentives have to be obtainable," advises Johnson of Minnesota RV. "They can't be devastating to the bottom line. The key is to decide ahead of time where you want to be and how much it's going to cost you. If you're going to have $1,000 worth of bonuses, you should be able to generate at least $1,500 to $2,000 (profit)—either on labor or sales."

Sebastian at Saddleback RV adds, "All these incentives are nice until they become expected or automatic." That's why Saddleback changes its sales contest every month from one side of the lot to the other to reward employee effort, rather than actual sales alone.

Despite those cautions, dealers who have tried major incentive programs tend to swear by them. Greer stresses, "In this age that we're in, with employees—particularly those who are well-trained—in shorter supply, we all invest a lot of money in hiring and training people before they ever become productive. Once you have people who are productive, it pays to keep them interested and employed, rather than have them go down the street to your competitors."

Or, as Sebastian sums up, "The only thing that separates us from the rest of our competition is the people. So I like to do as much as I can for employees, because I believe they're the most important component we have." Δ